

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 01533 132143Z

11

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 /055 W

----- 081132

R 131839Z FEB 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 523

INFO ALL EC CAPITALS 1682

LIMITED OFFICIAL USE EC BRUSSELS 01533

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC CIGARETTE EXCISE TAX HARMONIZATION

REF: (A) 75 EC BRUSSELS 10652, (B) 75 EC A-230

1. THE COMMISSION HAS PROPOSED TO THE EC COUNCIL A SECOND STAGE FOR THE HARMONIZATION OF CIGARETTE EXCISE TAXES TO BEGIN ON JULY 1, 1977 AND TERMINATE ON DECEMBER 31, 1980. THIS PROPOSAL WOULD REQUIRE THAT THE SPECIFIC COMPONENT OF THE TAX BE NOT LESS THAN 15 PERCENT AND NO MORE THAN 50 PERCENT OF THE TOTAL TAX BURDEN, I.E., EXCISE PLUS VALUE ADDED TAXES. (VAT). UNDER THE FIRST STAGE, THE PERMITTED RANGE OF THE SPECIFIC TAX WAS 5 TO 75 PERCENT OF THE TOTAL EXCISE TAX (EXCLUDING VAT). THE PROPOSAL DOES NOT SET THE TAX PROPORTIONS FOR THE THIRD AND FINAL STAGE OF HARMONIZATION. HOWEVER, COMMISSION OFFICIALS BELIEVE THE FINAL RATIO OF AD VALOREM TO SPECIFIC TAX WILL LIKELY BE 70:30 OR 75:25.

2. THE INCLUSION OF THE VAT IN THE CALCULATIONS WILL OFFSET SOMEWHAT THE REDUCTION IN THE SPECIFIC COMPONENT OF THE EXCISE DUTY REQUIRED OF COUNTRIES CURRENTLY APPLYING THE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 01533 132143Z

MAXIMUM SPECIFIC COMPONENT. ON THE OTHER HAND, THOSE COUNTRIES

WHICH CURRENTLY APPLY THE MINIMUM SPECIFIC COMPONENT WILL HAVE TO MAKE A LARGER TAX ADJUSTMENT THAN WOULD BE THE CASE IF THE VAT WAS NOT INCLUDED. FOR EXAMPLE, THE CURRENT LEVEL OF THE SPECIFIC COMPONENT IN BOTH GERMANY AND DENMARK IS ABOUT 63 PERCENT RATHER THAN 75 PERCENT, IF VAT IS INCLUDED IN THE TAX BASE. THUS, THE SECOND STAGE WOULD ACTUALLY REQUIRE A DROP FROM 63 RATHER THAN 75 PERCENT TO 50 PERCENT FOR THESE TWO COUNTRIES.

3. COMMISSION OFFICIALS CALCULATE THAT THE SECOND STAGE REQUIREMENTS WOULD HAVE A SUBSTANTIAL IMPACT ON CIGARETTE PRICES IN THOSE COUNTRIES CURRENTLY MAINTAINING THE MINIMUM PERMITTED SPECIFIC TAX, AND ONLY A MARGINAL IMPACT ON PRICES IN COUNTRIES MAINTAINING THE MAXIMUM PERMITTED SPECIFIC TAX. CONSEQUENTLY, THEY SAY THAT THE PROPOSED REQUIREMENTS WOULD GIVE LOWER-PRICED CIGARETTES LESS OF A PRICE ADVANTAGE THAN THEY HAD PREVIOUSLY, AND WOULD ACCELERATE THE CONSUMER PREFERENCE SWING TOWARD CIGARETTES WITH LIGHT TOBACCO. COMMENT: ABOUT 75 PERCENT OF US TOBACCO EXPORTS TO THE UK, IRELAND, DENMARK, AND GERMANY WHERE A HIGH SPECIFIC COMPONENT TO THE TAX IS CURRENTLY IN EFFECT. IN THESE COUNTRIES, THE NEW REQUIREMENTS WOULD REDUCE THE PRICE COMPETITIVENESS OF THE HIGHER-PRICED US TOBACCO. MOREOVER, IF A UNIFORM 70 TO 75 PERCENT AD VALOREM TAX IS IMPOSED THROUGHOUT THE COMMUNITY IN THE THIRD STAGE, THIS WOULD FURTHER REDUCE THE COMPETITIVENESS OF US TOBACCO EXPORTS IN THESE COUNTRIES. END COMMENT.

4. A COPY OF THE PROPOSAL AND ADDITIONAL COMMISSION COMMENTS ARE BEING TRANSMITTED BY AIRGRAM. MORRIS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOBACCO, INTERGOVERNMENTAL COOPERATION, EXCISE TAXES, TAX BURDEN
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU01533
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760057-0124
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760252/aaaabtbs.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 10652
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2004 by ElyME>; APPROVED <01 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC CIGARETTE EXCISE TAX HARMONIZATION
TAGS: EAGR, ECON, EPAP, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006